



中信嘉華銀行有限公司 CITIC KA WAH BANK LIMITED

(Formerly known as The Hongkong Chinese Bank, Limited)
(Incorporated in Hong Kong with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

SUMMARY OF RESULTS

(A) CONSOLIDATED INCOME STATEMENT

	Supplementary financial information	The Group		
		2002	2001	Variance
		HK\$'000	HK\$'000	%
Interest income		3,186,364	1,240,636	156.83
Interest expense		(1,479,280)	(721,406)	105.06
Net interest income		1,707,084	519,230	228.77
Fees and commission income		359,817	56,716	534.42
Fees and commission expense		(46,381)	(6,612)	601.47
Other operating income	I(a) & (b)	157,925	56,071	181.65
Operating income		2,178,445	625,405	248.33
Operating expenses		(1,017,520)	(352,717)	188.48
Operating profit before provisions		1,160,925	272,688	325.73
Charge for bad and doubtful debts		(509,228)	(227,831)	123.51
Operating profit		651,697	44,857	1,352.83
Net loss on disposal of tangible fixed assets		(8,987)	(546)	1,545.97
Net deficit on revaluation of investment properties		(13,879)	(4,800)	189.15
Net loss on disposal of associates		(190)	–	N/A
Net profit on disposal of held-to-maturity securities		51,949	–	N/A
Provision on held-to-maturity securities and investment securities		(13,194)	(6,087)	116.76
Share of profits less losses of associates		–	32	(100.00)
Profit from ordinary activities before taxation		667,396	33,456	1,894.85
Taxation	2	(21,599)	(1,511)	1,329.45
Profit attributable to shareholders		645,797	31,945	1,921.59
Dividends attributable to the year:	3			
Interim dividends declared during the year		346,716	36,000	
Interim dividend declared after the balance sheet date		–	550,000	
		346,716	586,000	

(B) EXTRACTS FROM CONSOLIDATED BALANCE SHEET

Supplementary
financial
information

		The Group	
		As at 31 Dec 2002	As at 31 Dec 2001
		HK\$'000	HK\$'000
Assets			
Cash and short-term funds		5,380,135	5,769,338
Placements with banks and other financial institutions maturing after one month		221,006	37,847
Trade bills less provisions		374,942	80,309
Certificates of deposit		1,030,944	605,402
Other investments in securities		2,583,605	168,462
Advances to customers and other accounts less provisions	4	42,847,862	11,776,417
Held-to-maturity securities and investment securities		18,575,250	486,991
Investments in associates		120,110	54,295
Tangible fixed assets		1,745,920	1,014,903
Total assets		72,879,774	19,993,964
Liabilities			
Deposits and balances of banks and other financial institutions		2,039,519	60,880
Deposits from customers		54,910,978	15,346,636
Certificates of deposit issued		5,832,512	990,607
Other accounts and provisions		1,210,871	357,499
Total liabilities		63,993,880	16,755,622
Capital resources			
Share capital		2,393,341	2,393,341
Reserves	5	2,202,381	845,001
Shareholders' funds		4,595,722	3,238,342
Loan capital		4,290,172	–
Total capital resources		8,885,894	3,238,342
Total liabilities and capital resources		72,879,774	19,993,964

(C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Shareholders' equity at 1 January	3,238,342	3,242,397
Net deficit on revaluation of investment properties	(20,481)	–
Exchange differences	(17)	–
Net losses not recognised in the income statement	(20,498)	–
Addition through merger		
– General reserve	100,000	–
– Other property revaluation reserve	11,945	–
– Capital reserve	37,500	–
– Investment property revaluation reserve	20,481	–
– Exchange revaluation reserve	19	–
– Retained profits	908,852	–
	1,078,797	–
Profit attributable to shareholders	645,797	31,945
Dividends approved during the year	(346,716)	(36,000)
Shareholders' equity at 31 December	4,595,722	3,238,342

Notes

- (1) The financial information in this financial results announcement does not constitute statutory financial statements.

The financial information relating to the financial year ended 31 December 2002 included in this preliminary final results announcement does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2002 will be available from the Bank's registered office. The external auditors expressed an unqualified opinion on those financial statements in their report dated 12 March 2003.
- (2) On 31 October 2001, CITIC Ka Wah Bank Limited (subsequently renamed as CITIC International Financial Holdings Limited ("CIFH")) on 25 November 2002) entered into a Sale and Purchase Agreement with The HKCB Bank Holding Company Limited to acquire the entire issued share capital of The Hongkong Chinese Bank, Limited ("HKCB") for an aggregate consideration of HK\$4,200 million comprising cash consideration of HK\$3,360 million plus HK\$840 million in principal amount of Certificate of Deposit. HKCB is a licensed bank incorporated in Hong Kong. The acquisition was completed on 17 January 2002 and HKCB became a wholly-owned subsidiary of CIFH thereafter.
- (3) On 4 February 2002, CIFH re-organised the shareholding structure of its two non-wholly owned subsidiaries, namely CITIC Capital Securities Limited ("CCSL") (then known as Cargary Securities Limited) and CITIC Capital Markets Limited ("CCML") (then known as Ka Wah Capital Limited) by setting up a new intermediate holding company namely CITIC Capital Markets Holdings Limited ("CCMH") to take up the entire issued share capital of both subsidiaries. Both CCSL and CCML were held as to 51% by CIFH and 49% by the Bank's ultimate holding company, China International Trust and Investment Corporation ("CITIC") before the restructuring and thereafter, CIFH and CITIC held respectively 51% and 49% of the shareholding interest of CCMH through their respective wholly-owned subsidiaries, Dramatic Year Limited ("Dramatic Year") and True Worth Investments Limited ("True Worth") (a wholly-owned subsidiary of CITIC).
- (4) On 14 March 2002, CIFH entered into a Share Transfer and Subscription Agreement with CITIC, True Worth, CITIC Pacific Limited ("CITIC Pacific"), Forever Glory Holdings Ltd ("Forever Glory") (a subsidiary of CITIC Pacific), Dramatic Year and CCMH. Under this agreement, Forever Glory agreed to subscribe for new shares in CCMH for cash consideration of HK\$499,591,837 and Dramatic Year agreed to sell shares in CCMH to Forever Glory for cash consideration of HK\$10,408,163. Upon completion of the transaction, Dramatic Year, True Worth and Forever Glory would hold 25%, 25% and 50% of the issued share capital of CCMH respectively. The share transfer and subscription was completed on 27 May 2002.
- (5) Pursuant to the CITIC Ka Wah Bank Limited (Merger) Ordinance ("Merger Ordinance"), the Board of CIFH determined 25 November 2002 as the appointed day for transferring the bulk of its assets and liabilities to HKCB. At the same time, HKCB changed its name to CITIC Ka Wah Bank Limited and continues to operate the integrated banking businesses. CIFH became the holding company of the enlarged bank and continues to be listed on the Stock Exchange of Hong Kong Limited.
- (6) The comparative figures for the income statement, balance sheet, changes in equity and related notes, represent only HKCB's 2001 figures and thus are not comparable.
- (7) The new HKSSAP 34 "Employee Benefits" requires an enterprise to recognise the service provided by an employee in exchange for employee benefits to be paid in the future as a liability; and when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits as expenses. The adoption of this HKSSAP has not had any significant impact on the financial statements.

SUPPLEMENTARY FINANCIAL INFORMATION

(1) Operating profit

The operating profit is stated after taking into account of:

(a) Other revenue

	The Group	
	2002	2001
	HK\$'000	HK\$'000
		Variance
		%
Dividend income		
Listed investments	–	2,422
Unlisted investments	17,873	–
Rental income less outgoings	8,804	5,423
	<u>26,677</u>	<u>7,845</u>
		240.05

(b) Other operating income

	The Group	
	2002	2001
	HK\$'000	HK\$'000
		Variance
		%
Net gain/(loss) on other investments in securities	74,140	(747)
Net gain arising from dealing in foreign currencies	13,828	10,777
Net loss arising from other dealing activities	(56,591)	(1,464)
Profit on repurchase of subordinated floating rate notes issued	–	860
Others	99,871	38,800
	<u>131,248</u>	<u>48,226</u>
		172.15
Total	<u>157,925</u>	<u>56,071</u>
		181.65

(2) Taxation

	The Group	
	2002	2001
	HK\$'000	HK\$'000
		Variance
		%
Hong Kong Profits Tax	22,731	9,237
Overseas taxation	2,148	55
Overprovisions in prior years	(3,280)	(7,781)
	<u>21,599</u>	<u>1,511</u>
		1,329.45

The provision for Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year ended 31 December 2002. Taxation for overseas branches and subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries in which they operate.

(3) Dividend

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Interim dividend declared of HK\$14.49 cents (2001: HK\$1.50 cents) per share	346,716	36,000
No interim dividend has been proposed after the balance sheet date in respect of the year ended 31 December 2002 (2001: HK\$22.98 cents per share was paid on 17 January 2002 (Note))	–	550,000
	<u>346,716</u>	<u>586,000</u>

Note:

The interim dividend of HK\$22.98 cents per ordinary share, totalling HK\$550 million for the year ended 31 December 2002, was declared and paid on 17 January 2002. This dividend payment was recorded by CITIC Ka Wah Bank ("CKWB") (prior to its group restructure), as dividend income in 2002. Following the legal merger on 25 November 2002, the two

banks, CKWB and HKCB, became a merged entity. The dividend income previously recorded by CKWB and the dividend payment recorded by HKCB have been eliminated. Therefore, the dividend payment has not been reflected as an appropriation of retained earnings for the year ended 31 December 2002.

(4) Advances to customers and other accounts less provisions

	The Group		
	As at 31 Dec 2002	As at 31 Dec 2001	Variance
	HK\$'000	HK\$'000	%
Advances to customers	41,941,753	12,050,954	248.04
Specific provisions for bad and doubtful debts	(442,648)	(337,951)	30.98
General provisions for bad and doubtful debts	(494,985)	(134,164)	268.94
	41,004,120	11,578,839	254.13
Advances to banks and other financial institutions	79,872	42,497	87.95
Accrued interest and other accounts less provisions	1,763,870	155,081	1,037.39
	42,847,862	11,776,417	263.84

(5) Reserves

	The Group		
	As at 31 Dec 2002	As at 31 Dec 2001	Variance
	HK\$'000	HK\$'000	%
Share premium	282,930	282,930	–
General reserve	100,000	–	N/A
Other property revaluation reserve	11,945	–	N/A
Capital reserve	41,271	3,771	994.43
Exchange revaluation reserve	2	–	N/A
Retained profits	1,766,233	558,300	216.36
Total	2,202,381	845,001	160.64
Interim dividend, not provided for	–	550,000	(100.00)

(6) Advances to customers – by industry sectors

	The Group		
	As at 31 Dec 2002	As at 31 Dec 2001	Variance
	HK\$'000	HK\$'000	%
Loan for use in Hong Kong			
Industrial, commercial and financial			
– Property development	563,368	28,498	1,876.87
– Property investment	5,147,370	2,369,098	117.27
– Financial concerns	1,621,606	530,788	205.51
– Stockbrokers	27,590	19,400	42.22
– Wholesale and retail trade	2,464,647	540,546	355.96
– Manufacturing	3,318,627	607,558	446.22
– Transport and transport equipment	4,938,645	1,077,894	358.18
– Others	3,175,545	917,533	246.10
Individuals			
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	30,990	36,735	(15.64)
– Loans for the purchase of other residential properties	13,246,473	3,894,888	240.10
– Credit card advances	335,647	176,325	90.36
– Others	1,289,488	893,197	44.37
Trade finance	1,968,023	809,002	143.27
Loans for use outside Hong Kong	3,813,734	149,492	2,451.13
Total	41,941,753	12,050,954	248.04

(7) **Advances to customers – by geographical areas**

The geographical analysis are classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated.

	The Group					
	Total Advances to customers		Non-performing loans		Overdue loans and advances	
	As at 31 Dec 2002	As at 31 Dec 2001	As at 31 Dec 2002	As at 31 Dec 2001	As at 31 Dec 2002	As at 31 Dec 2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	32,443,305	11,804,086	1,606,411	1,001,618	1,691,184	1,166,835
Mainland China	8,331,392	92,604	84,172	–	73,334	–
United States of America	875,390	27,636	8,731	–	–	–
Others	291,666	126,628	–	–	–	–
	41,941,753	12,050,954	1,699,314	1,001,618	1,764,518	1,166,835

(8) **Loans on which interest is placed in suspense**

	The Group				
	Total amount of loans on which interest is placed in suspense		Pledged amount for loans on which interest is placed in suspense	Specific provisions in respect of loans on which interest is placed in suspense	Amount of interest suspense
	HK\$'000	%*	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2002	1,699,314	4.05	991,769	402,491	223,282
As at 31 December 2001	1,001,618	8.31	540,269	337,449	475,078

* Based on total advances to customers

There were no advances to banks and other financial institutions on which interest is being placed in suspense or on which interest accrual has ceased as at 31 December 2002 and 31 December 2001, nor were there any specific provisions made for them on these two days.

(9) **Overdue advances to customers (net of suspended interest)**

The gross amount of advances, net of accrued interest that has been capitalised but accrued to a suspense account, which have been overdue for periods of:

	The Group			
	As at 31 Dec 2002		As at 31 Dec 2001	
	HK\$'000	%*	HK\$'000	%*
– 6 months or less but over 3 months	262,097	0.62	210,421	1.75
– 1 year or less but over 6 months	169,342	0.40	294,150	2.44
– over 1 year	1,333,079	3.18	662,264	5.50
Total	1,764,518	4.20	1,166,835	9.69
Secured overdue advances	1,059,650		763,514	
Unsecured overdue advances	704,868		403,321	
	1,764,518		1,166,835	
Market value of collateral held against the secured overdue advances	1,701,268		951,239	
Specific provisions made	347,557		288,982	

* Based on total advances to customers

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 31 December 2002 and 31 December 2001.

(10) Reconciliation between overdue loans and advances and non-performing loans

	The Group	
	As at	As at
	31 Dec 2002	31 Dec 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances to customers overdue for more than 3 months	1,764,518	1,166,835
<i>Less:</i> Amount overdue for more than 3 months and on which interest is still being accrued	(173,900)	(284,858)
<i>Add:</i> Amount overdue for 3 months or less, or not yet overdue and on which interest is being placed in suspense or on which interest accrual has ceased	75,591	102,405
<i>Add:</i> Rescheduled advances on which interest is being placed in suspense or on which interest accrual has ceased	33,105	17,236
Advances to customers on which interest is being placed in suspense or on which interest accrual has ceased	1,699,314	1,001,618

(11) Other overdue assets

	The Group	
	As at	As at
	31 Dec 2002	31 Dec 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The gross amount of trade bills which has been overdue for:		
– 6 months or less but over 3 months	282	–
– over 1 year	12,864	4,734
	13,146	4,734
Other investments in securities which have been overdue for over 1 year	4,081	3,874
Held-to-maturity securities which have been overdue for over 1 year	15,601	30,973

(12) Rescheduled loans

	The Group			
	As at 31 Dec 2002		As at 31 Dec 2001	
	<i>HK\$'000</i>	<i>%*</i>	<i>HK\$'000</i>	<i>%*</i>
Rescheduled loans	68,559	0.16	17,236	0.14

* Based on total advances to customers

There were no advances to banks and other financial institutions which were rescheduled as at 31 December 2002 and 31 December 2001.

(13) Off-balance sheet exposures**(a) Contingent liabilities and commitments**

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	The Group	
	As at	As at
	31 Dec 2002	31 Dec 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct credit substitutes	1,187,756	40,882
Transaction-related contingencies	38,994	55,854
Trade-related contingencies	1,262,930	148,277
Forward forward deposits	–	77,852
Other commitments		
– with an original maturity of under 1 year or which are unconditionally cancellable	9,294,444	2,842,893
– with an original maturity of 1 year or over	922,801	70,853
	12,706,925	3,236,611

(b) Derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The following is a summary of the notional amounts of each significant type of derivative entered into by:

	The Group					
	As at 31 Dec 2002			As at 31 Dec 2001		
	Trading	Hedging	Total	Trading	Hedging	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange rate contracts						
Forwards	1,095,192	–	1,095,192	425,038	–	425,038
Swaps	34,890,559	4,999,417	39,889,976	63,915	30,878	94,793
Options purchased	66,884	–	66,884	–	–	–
Options written	40,490	–	40,490	–	–	–
Interest rate contracts						
Forwards and Futures	2,262,090	–	2,262,090	–	–	–
Swaps	2,127,535	9,526,349	11,653,884	–	173,881	173,881
Options purchased	931,162	–	931,162	–	–	–
Options written	931,162	–	931,162	–	–	–
Equity contracts						
Options purchased	–	18,372	18,372	–	–	–
Options written	–	18,371	18,371	–	–	–
	42,345,074	14,562,509	56,907,583	488,953	204,759	693,712

- (c) The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures are as follows. These amounts do not take into account the effects of bilateral netting arrangements.

	The Group			
	As at 31 Dec 2002		As at 31 Dec 2001	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	N/A	1,332,425	N/A	129,648
Exchange rate contracts	135,779	118,904	13,020	3,988
Interest rate contracts	601,457	171,752	1,207	790
Equity contracts	104	792	–	–
	737,340	1,623,873	14,227	134,426

(14) Capital adequacy ratio

	The Group	
	As at 31 Dec 2002	As at 31 Dec 2001
Unadjusted capital adequacy ratio*	17.21%	27.06%
Adjusted capital adequacy ratio**	16.60%	27.05%

* The unadjusted capital adequacy ratio is computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the Hong Kong Monetary Authority (“HKMA”) for its regulatory purposes, and is in accordance with the Third Schedule to the Hong Kong Banking Ordinance.

** The adjusted capital adequacy ratio which takes into account market risks as at the balance sheet date is computed in accordance with the Guideline “Maintenance of Adequate Capital Against Market Risks” issued by the HKMA and on the same consolidated basis as for unadjusted capital adequacy ratio.

(15) Capital base after deductions

	The Group	
	As at 31 Dec 2002	As at 31 Dec 2001
	HK\$'000	HK\$'000
Core capital		
Paid up ordinary share capital	2,393,341	2,393,341
Share premium	282,930	282,930
Reserves	1,896,363	559,169
Total core capital	4,572,634	3,235,440
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	8,362	2,032
General provisions for doubtful debts	498,137	134,619
Perpetual subordinated debt	1,950,078	–
Term subordinated debt	2,286,317	–
Gross value of supplementary capital	4,742,894	136,651
Eligible value of supplementary capital	4,572,634	136,651
Total capital base before deductions	9,145,268	3,372,091
Deductions from total capital base	(156,615)	(107,226)
Total capital base after deductions	8,988,653	3,264,865

(16) Liquidity ratio

	The Group	
	As at 31 Dec 2002	As at 31 Dec 2001
Average liquidity ratio for 10 months from 1 January 2002 – 31 October 2002	46.92%	
Average liquidity ratio for 2 months from 1 November 2002 – 31 December 2002	47.09%	
Average liquidity ratio for year ended 31 December 2001		58.75%

The average liquidity ratio is computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA for its regulatory purposes, and is in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

(17) Foreign currency exposures

The information concerning the foreign currency exposures of the Group arising from trading, non-trading and structural positions is disclosed as follows. The net option position reported is calculated in accordance with the methods set out in the banking return “Foreign Currency Position” (MA(BS)6) submitted to the HKMA.

	The Group					
	As at 31 Dec 2002			As at 31 Dec 2001		
	US dollars	Renminbi	Total	US dollars	Renminbi	Total
Equivalent in HK\$'000						
Spot assets	27,472,826	144,948	27,617,774	3,817,123	–	3,817,123
Spot liabilities	(25,049,311)	(74,251)	(25,123,562)	(4,361,162)	–	(4,361,162)
Forward purchases	20,917,099	–	20,917,099	929,697	–	929,697
Forward sales	(19,641,958)	–	(19,641,958)	(240,443)	–	(240,443)
Net option position	3,959	–	3,959	–	–	–
Net long position	3,702,615	70,697	3,773,312	145,215	–	145,215

STATEMENT OF COMPLIANCE

In preparing the accounts for the year ended 31 December 2002, the Bank has fully complied with the requirements set out in the Supervisory Policy Manual “Financial Disclosure by Locally Incorporated Authorised Institutions” issued by the HKMA.

Hong Kong, 13 March 2003